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March 22, 2019

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Notice of ex parte presentation*
Connect USVI Fund (WC Docket No. 18-143)

Dear Ms. Dortch:

On March 21, 2019, ATN International, Inc. ("ATN"), on behalf of its wholly owned subsidiary Virgin Islands Telephone Corp. dba Viya, met with staff from the Wireline Competition Bureau to discuss the Connect USVI Fund in the above-referenced docket. Specifically, we met with Daniel Kahn, Ryan Palmer, Alexander Minard, Allison Baker, and (by telephone) Dangkhoa Nguyen. In the meeting, ATN was represented by Douglas Minster, Vice President, Government and Regulatory Affairs; Rohan Ranaraja, Executive Director, Government and Regulatory Affairs; and Phillip Marchesiello and myself of this firm. ATN's presentation in the meeting followed the attached presentation, which was distributed to the meeting attendees.

Please direct any questions regarding this filing to the undersigned.

Sincerely,

/s/ L. Charles Keller
L. Charles Keller

Attachment

cc: Daniel Kahn
Ryan Palmer
Alexander Minard
Allison Baker
Dangkhoa Nguyen

VIYA

Connect USVI Fund

Presentation to Wireline Competition Bureau

March 21, 2019

The vibe that connects us.

Introductions

Doug Minster

Vice President, Government and Regulatory Affairs

ATN International, Inc.

(Viya's parent company)

Rohan Ranaraja

Executive Director, Government and Regulatory Affairs

ATN International, Inc.

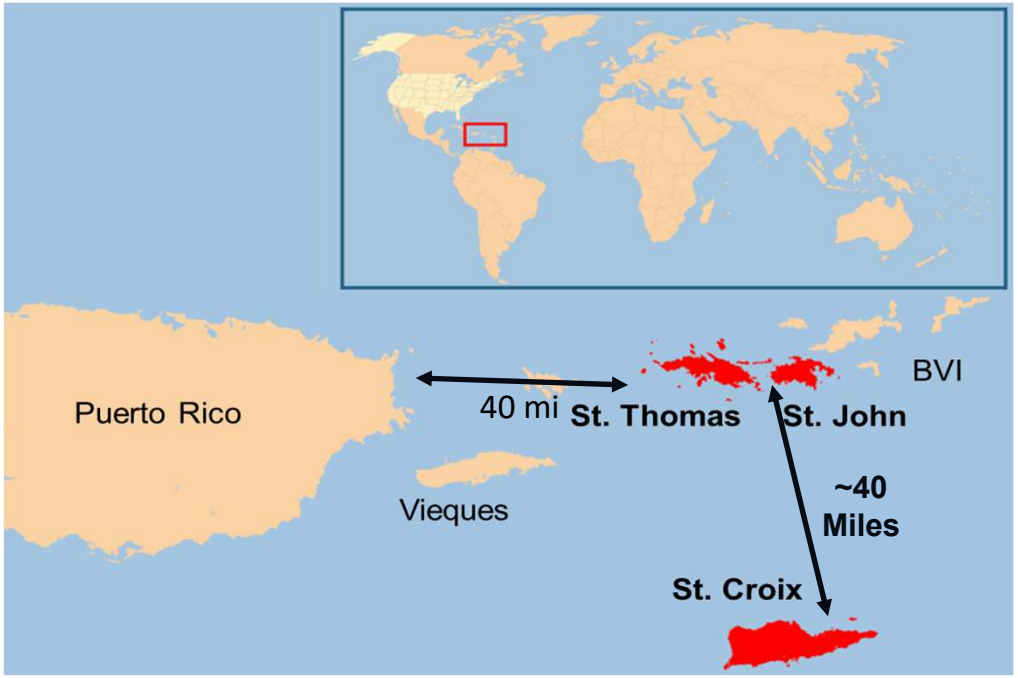
Viya

Agenda

- United States Virgin Islands
- Viya and ATNI
- Hurricanes Irma and Maria
- Restoration Efforts
- USVI Market Competition
- Stage 2 Connect USVI Fund—ILEC ROFR
- Stage 2 Connect USVI Fund—Comparative Process

United States Virgin Islands

- U.S. territory since 1917
- Virgin Islanders have been U.S. citizens since 1927
- No voting representation in Congress
  - Delegate Stacey Plaskett
- Three primary islands 1,100 miles southeast of Florida and 40 miles east of Puerto Rico



- Combined area of 134 miles^2 (twice the size of Washington, D.C.) and 107K residents:
  - St. Croix: 84 miles^2, 50K population, and 40 miles away from other two islands
  - St. Thomas: 31 miles^2 and 51K population
  - St. John: 20 miles^2 and 5K population

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United States Virgin Islands

- USVI was severely economically challenged prior to the Hurricanes
  - Median household income is 30% lower than U.S.: $37.2K in USVI vs. $57.6K in U.S. (2016)
  - Double the unemployment of the U.S.: 13% in USVI vs. 5% in U.S. (2017)
  - Poverty rate is almost 3x U.S. average: 33% in USVI vs. 13% in U.S. (2016)
- USVI government was financially distressed before the Hurricanes
  - No access to the bond markets; ceased reporting to credit rating agencies
  - Severely underfunded hurricane response fund
  - Per capita government debt was a third higher than Puerto Rico: $19K vs. $12K
- The USVI is a challenging operating environment for communications providers even under the best of circumstances
  - All equipment and most skilled labor must be imported, usually shipped
  - Mountainous terrain, tropical climate, and salt air make deployment and maintenance of equipment expensive and shortens equipment lifespan
  - Power is expensive: 47.5 cents/kWh in USVI vs. 12.47 cents/kWh in U.S. (2019)
  - Regulatory uncertainty and government bureaucracy can be challenging

Viya

Viya and ATNI

- ATN International acquired Viya (formerly Innovative) in July 2016
  - Founded in 1987, ATN is a public company (NASDAQ: ATN) that provides service through its subsidiaries to rural and underserved markets in the U.S. and Caribbean
  - ATN specializes in deploying private capital to provide state-of-the-art communications to insular and less affluent communities that other carriers find too challenging or insufficiently profitable to serve
  - ATN employs a strategy of local managers and long-term investment
- Viya is a group of affiliated companies that provide residential and enterprise wireline and wireless telecommunications, cable television, and broadband services in the USVI
  - ATN purchased Viya from National Rural Utilities Cooperative Finance Corporation (CFC), who purchased Viya out of bankruptcy
    - CFC hired a management company that replaced the ILEC's aging copper plant with a fiber-to-the-node network using coaxial cable for customer drops (FTTN Network)
  - After closing, ATN was working on upgrading the FTTN network to carrier-grade, DOCSIS 3.0 operations before it was badly damaged by the Hurricanes
  - Economics of service depend on universal service support ($16.4M/yr historically)

Hurricanes Irma & Maria

- On Sept. 6, 2017, Hurricane Irma directly struck St. John and St. Thomas and damaged St. Croix
  - Category 5 storm with 185+ mph winds; most powerful storm ever recorded in Atlantic Ocean
  - Most structures damaged; roofs blown off many buildings, including hospital; roads blocked by large debris, downed utility poles, and landslides
  - All telecom and electric networks, including Viya's FTTN network, were disabled on St. Thomas and St. John and damaged to a lesser extent on St. Croix
  - Viya's initial restoration efforts, based out of St. Croix, Puerto Rico and Florida, were severely disrupted when Hurricane Maria struck 14 days later
- On Sept. 20, 2017, Hurricane Maria devastated St. Croix and Puerto Rico and further damaged St. Thomas and St. John
  - With 175-mph winds, many structures and the electric grid on St. Croix were destroyed, and St. Thomas and St. John suffered massive additional damage due to slow moving storm
  - All restoration completed by Viya in St. Thomas and St. John following Irma was destroyed
  - National focus on damage to much larger Puerto Rico eclipsed attention to USVI

Viya

Hurricane Irma

Collapsed telecom tower in East End of St. John after Hurricane Irma.

Viya

Hurricane Maria

Hurricane Maria damage in St. Croix.
http://abcnews.go.com/International/us-virgin-islands-ruins-hurricane-maria/story?id=50178300

Viya

Hurricane Maria

Utility pole downed by Hurricane Maria in Estate Whim, St. Croix.

Hurricane Maria damage in St. Croix.
http://www.ibtimes.com/st-croix-devastation-hurricane-maria-shown-new-pictures-2594729

Viya

Hurricane Irma

Hurricane Irma damage to Viya wireless facility in Bethany, St. John. The roof was blown off the building.

Viya

Restoration Efforts: Wireless Network First

- Viya initially devoted resources to bringing its mobile wireless networks back online as quickly as possible to restore basic connectivity to USVI residents
  - To meet connectivity needs post-storm; Viya quickly restored most cell sites for its three separate wireless networks by mid-Nov. 2017
    - Viya brought newly deployed 4G LTE network online ahead of schedule
    - Viya never entirely lost wireless connectivity through the storms, and began restoration immediately after. Within 2 months, Viya had restored voice and broadband connectivity to over 80% of population, and to effectively theentire population within 4 months
  - Distributed over 11,000 MiFi devices to wireline residential and business customers and established 25 public WiFi hotspots and calling centers throughout Territory
  - Because of the speed and quality of its wireless network restoration, Viya was selected by FEMA and other first responders as their network of choice for recovery efforts in aftermath of storms

Restoration Efforts: Wireline FTTN Network

- Stage 1 Connect USVI Support was helpful
  - Viya received $6.9M (fixed) and $354K (wireless) to boost recovery efforts
- Restoration efforts completed in October 2018
  - FTTN Nodes restored by June 2018 and coaxial customer drops by Sept. 2018
  - Currently serve 95+% of households; remaining households are most costly to serve
  - Total FTTN recovery cost was nearly $90M above insurance and Stage 1 USF support.
  - Over $50M of restoration funding was advanced by ATNI; Viya's ability to repay depends on network economics going forward
- Overcame significant challenges
  - Lack of stable commercial power for 4 months
  - Devastation in PR and FL and customs issues prevented timely import of equipment/crews
  - Post-storm fiber cuts due to road clearing and power utility's restoration efforts
  - Challenging access to FEMA-funded storm-rated poles and conduits

Viya

USVI Market Competition

- Small population, economic challenges, and difficult geography have produced little fixed broadband competition in USVI
  - Viya
    - FTTN network reaches 95+% of households and businesses
    - Current broadband offerings from 6/2 Mbps to 100/10 Mbps
  - Broadband VI
    - Unlicensed wireless network
    - Difficult to determine actual coverage
    - Current broadband offerings range from 5 to 25 Mbps download
  - Satellite broadband providers (e.g., Hughes)
    - Satellite broadband networks claim coverage of all of USVI (began after 6/17)
    - Current offerings with speeds up to 25/3 Mbps but limited by higher latency and lower capacity limits

Viya

USVI Market Competition: Different from Puerto Rico

- USVI is a very different market than Puerto Rico
  - Puerto Rico's market is 30 times larger than the USVI market: 3.2M people in Puerto Rico (2018) vs 107K in USVI (2017)
  - The population of Puerto Rico is relatively more affluent
  - ILEC coverage in Puerto Rico substantially lags Viya's 95+% coverage
  - There are more broadband competitors serving the Puerto Rico market; according to 12/31/2017 477 data:
    - USVI has 5 providers; only 2 serve more than 100 census blocks
    - Puerto Rico has 15 providers; 12 serve more than 100 census blocks
  - Greater economies of scale are available in the Puerto Rico market
- Stark difference between the markets warrants different regulatory treatment in connection with post-hurricane USF funding

Stage 2 Connect USVI Fund – ILEC ROFR

- The USVI is poorly suited for a comparative process
  - ILEC already covers 95+% of locations
  - There are few potential participants and only one with significant experience at scale
  - The process will add unnecessary burden and delay
- Providing Viya an ILEC ROFR is the most effective and efficient way to maximize the Connect USVI Fund's benefits to the people and businesses of the USVI
  - Viya's network already offers the highest speeds in the USVI and it can be rapidly further upgraded, making it future-proof
    - Funding another network to catch up to the capabilities of Viya's network is asking the residents of the USVI to accept a technological step backwards—to an inferior network—for a period of years
  - Viya's network already serves almost all of the USVI
    - Residents and businesses should not have to wait for another provider to expand its network's coverage to catch up to Viya's coverage

Viya

Stage 2 Connect USVI Fund – ILEC ROFR

- Providing the USVI ILEC with a ROFR is consistent with FCC policy and precedent
  - The FCC has a longstanding principle rejecting the use of USF to support the deployment of duplicative networks
    - Consistent with FCC approach to USF since 2011, the FCC should not now begin allocating Connect USVI Fund support for competitive overbuilding
    - Chairman Pai observed that the "Commission has repeatedly declined to provide duplicative support, i.e., support to two or more carriers to build out the same area," and he has described subsidizing "duplicative build out" as "a serious mistake."
    - Comm'r O'Rielly has expressed "concerns over the use of Universal Service Fund dollars to overbuild existing networks, particularly when those networks subject to overbuilding were themselves built with Universal Service Fund support."
  - An ILEC ROFR is consistent with the FCC's allocation of support to price-cap ILECs in 2015
    - The FCC based that decision on factors that are applicable here: lack of other wireline providers in relevant areas, likely lower costs from the ILECs' existing network, and ILECs' ongoing carrier-of-last-resort obligations.

Stage 2 Connect USVI Fund – ILEC ROFR

- Economies of scale in the USVI will only support a single Territory-wide fixed provider and only with USF support at levels consistent with historical precedent
  - Viya relies on $16.4M in annual USF support to fund capex, maintain opex, and ensure service affordability
    - Capex: Completing network build-out to remaining locations; funding further hardening; defraying over $50M in outstanding ATNI restoration advances (net of insurance and USF restoration support to date) (Viya did not wait for USF support to restore network)
    - Opex: High maintenance costs due to islands' geographic location, terrain, and climate
    - Rate Support: Pre-storm 2016 rate case showed that, even at current USF levels, Viya's revenues were over $7M/year below standard revenue requirement
- Viya is the USVI's sole ILEC with Territory-wide carrier-of-last-resort obligations and operates the USVI's sole Territory-wide wireline network
  - Transition plan would be necessary, but difficult to formulate and disruptive to implement

Viya

Stage 2 Connect USVI Fund – ILEC ROFR Commitment

- If Viya is offered full funding ($18.65M/year) for a ten-year term, then Viya Commits to provide:
  - To the entire Territory, at an affordable and reasonably comparable rate,
  - Within 18 months:
    - CAF-II "Baseline" service (25/3 Mbps, 150 GB) to 95+% of locations
    - CAF-II "Above Baseline" service (100/20 Mbps, 2 TB) to 25% of locations
    - Gigabit service to major anchor institutions
  - Within 4 years:
    - CAF-II "Above Baseline" service (100/20 Mbps, 2 TB) to 75% of locations
    - Gigabit service to all anchor institutions
  - A hardened, recoverable network, including:
    - Extensive undergrounding where feasible and use of high-wind-rated poles (6K)
    - State-of-the-art wireless broadband network as redundant path in emergency

Viya

Stage 2 Connect USVI Fund – Comparative Process

- If FCC adopts a comparative approach, the participation criteria must ensure accountability to protect the FCC's USF investment
  - Require a letter of credit equal to at least the aggregate of (i) cumulative amount of support previously disbursed plus (ii) amount that will be disbursed in the coming year, subject to reductions upon completion of applicable build-out milestones (same as CAF-II)
  - Demonstration of access to spectrum, if spectrum-based service proposed, per CAF-II requirements
  - Implement oversight and accountability measures identical to those applicable in CAF Phase II, including:
    - Standard reporting and certification requirements
    - Annual reporting of geocoded locations in the HUBB portal
    - Compliance measures including reductions in support for failure to meet support requirements
    - Ongoing oversight by FCC and annual audits by USAC

Viya

Stage 2 Connect USVI Fund – Comparative Process

- If adopted, any comparative approach only should apply to unserved areas
  - Scarce USF funds should not be used to support deployment of duplicative networks
- If not limited to unserved areas, the process should designate a single service area encompassing the entire USVI
  - Allowing any player to cream-skim the few denser areas would eliminate the economics of scale necessary to serve rural areas
- Any comparative process should weight most heavily: network performance, speed of deployment, and cost effectiveness
  - Residents of the USVI should not be forced to wait longer for slower speeds, further hindering economic recovery
  - Network performance, speed of deployment, and cost-effectiveness collectively should count for 80% - 100% of scoring

Viya

Stage 2 Connect USVI Fund – Comparative Process

- *Network Performance*: Minimum qualification should be 25/3 to entire Territory, with points awarded for higher speeds to greater portions of the Territory
  - Consistent with CAF-II "baseline" and recent A-CAM offers. Also, FCC's *Measuring Broadband America* data show a need for 25/3 to satisfy current consumer usage, and increasing speed needs over time
  - Capacity allowance and latency should be comparable to mainland networks
- *Speed of Deployment*: Minimum qualification should be two years to achieve 25/3 deployment to entire Territory, with points awarded for faster deployment or higher speeds reached
- *Cost effectiveness*: Additional points awarded for ability to reach minimum performance and deployment qualifications for lower cost per unserved location

Viya

Stage 2 Connect USVI Fund – Comparative Process

- Resiliency is important
  - Any recipient of Connect USVI Funding should be required to operate a resilient network
- Key elements of resiliency:
  - Path diversity
    - Last-mile path diversity is particularly important to disaster recovery
  - Hardening
    - Undergrounding, where appropriate (e.g., not where seismic activity likely to lead to cable cuts)
    - Use of strengthened equipment, such as high-wind-rated poles and reinforced towers
    - Availability of back-up power (e.g., generators and fuel)
  - Recovery resources on-island (crews, trucks, equipment)
- The inherently subjective nature of resiliency decisions makes it difficult to rank objectively

Viya

Thank you.

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Thank you for your help

http://viconsortium.com/virgin-islands-2/1300-utility-poles-arrive-in-st-thomas-as-power-restoration-ramps-up-more-updates-announced/

Viya